



"BREXIT", EUROPEAN UNION (EU) & THEIR IMPACT ON INDIAN MARKETS

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ABSTRACT

28 member states of Europe formed the politico-economic amalgamation called the European Union (EU). It covers an area of 4,324,782 km² (1,669,808 sq mi), and approximately the estimated population under EU is over 508 million. Under EU an internal single market has been developed through a standardized system of laws which is applicable to all member states. The policies of EU are to make certain free movement of people, goods, technology transfer, capital and services inside the single internal market, enforce legislation in integrity and home affairs, frame and maintain common trade practices and policies, build unanimous agricultural practices etc for overall regional development. Within the boundary of Schengen area, the control of passport controls has been withdrawn. In 1999 a monetary union was established which came into action in 2002, comprising of nineteen EU member states which exercise the common currency Euro (€).

Brexit, a portmanteau of the words "Britain" and "exit," it is the nickname for a British exit of the European Union after the June 23, 2016 referendum i.e. 51.9% of the British population voted to leave the union. Pro-Brexit activists have outlined parting the European Union as indispensable to shield or perhaps reinstate, the distinctiveness of UK: its ethnicity, sovereignty and position in the world. This conceptual paper aimed at identification of probable pros and cons of Brexit on Indian economy and markets overall based on some noticeable observations in recent past.

KEYWORDS: European Union (EU), Brexit, Indian Economy.

INTRODUCTION

The categorization of the European Union (EU) in terms of global or constitutional law has been much argued. It began realistic as an international organization and progressively amalgamated into a unionization of member states. Nevertheless, since the mid-1960s it has supplemented more than a few of the key aspects of a federation, like the straight consequence of the law of the general level of government upon the individual and preponderance voting in the decision-making process of the general level of government, devoid of fetching a federation. 28 member states of Europe formed the politico-economic amalgamation called the European Union (EU). It covers an area of 4,324,782 km² (1,669,808 sq mi), and approximately the estimated population under EU is over 508 million. Under EU an internal single market has been developed through a standardized system of laws which is applicable to all member states. The policies of EU are to make certain free movement of people, goods, technology transfer, capital and services inside the single internal market, enforce legislation in integrity and home affairs, frame and maintain common trade practices and policies, build unanimous agricultural practices etc for overall regional development. The major complicatedness of taxonomy engages the disparity sandwiched between national law (where the law comprise natural persons and corporations) and international law (where the law embrace supreme ruler states and international organizations). Noticeable differences are also predominant among European and American constitutional traditions. In particular in the European tradition, the term federation is matched up to with a self-governing federal state in international law; so the EU cannot be called a alliance — at least, not without criterion. It is, conversely, expressed as being based on a federal model; and it is rather may be apt to deem it as federal union of states in a conceptual structure falling in the midst of the confederation of states and the federal state. The EU upholds enduring diplomatic missions all the way through the world and symbolizes itself at the United Nations, the World Trade Organization, the G8, and the G-20. Because of its global weight, the European Union has been describing as a contemporary or as a impending superpower.

Withdrawal from the European Union

Drawing out from the European Union is a right of European Union (EU) member states with reference to the Treaty on European Union (Article 50): "Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements."

Greenland, a part of the Danish Realm, voted to leave the EU's forerunner, the European Economic Community (EEC), in 1985. Algeria left upon independence in 1962, having been a part of France until then. The United Kingdom held a referendum on 23 June 2016 to decide whether it should remain a member of the European Union or leave it, which was won by the "Leave" vote. The voting results showed 51.9% voted to leave (a margin of 3.8% above those voting to remain) and a voting turnout of 72.2%. Earlier to this referendum, the United Kingdom had held a referendum in 1975 on withdrawal from its predecessor, the EEC; 67.2% of voters chose to remain in the Community (turnout 64.62%). Some past territories of European Union members ruined formal links with the

EU when they achieved sovereignty from their ruling country or were forced to shift to an EU non-member state. A large amount of these territories were not classed as part of the EU, but were at most associated with Overseas Countries and Territories (OCT) status and EC laws were generally not in force in these countries. Several existing Special Member State territories and the European Union altered or are in the process of changing their status from such, where EU law applies fully or with limited exceptions to such, where the EU law mostly doesn't apply. The progression also occurs in the reverse direction.

United Kingdom & Brexit

Brexit is an abbreviation of "British exit" from European Union (EU) member states. In 1975 the United Kingdom held a referendum in which the electorate was asked whether the UK should remain in the European Economic Community (EEC), commonly known in the UK as the Common Market. The UK had joined the EEC on 1st January 1973 under the Conservative government of Edward Heath. The general election held in October 1974 was won by the Labour party, who had made a manifesto commitment to renegotiate Britain's terms of membership of the EEC and then hold a referendum on whether to continue in the EEC on the new terms. On 5th June 1975, the electorates were asked to vote yes or no on the question: "Do you think the UK should stay in the European Community (Common Market)?" Every administrative county in the UK had a majority of "Yes", except the Shetland Islands and the Outer Hebrides. In line with the outcome of the vote, the United Kingdom continued to stay with the EEC which later became the European Union.

Yes Votes	Yes(%)	No votes	No (%)	Turnout(%)
17,378,581	67.2	8,470,073	32.8	64.5

2016 Referendum

In January 2013, British Prime Minister David Cameron declared that the United Kingdom would hold an in-out referendum on EU membership before the end of 2017 on a renegotiated package if the Conservative Party were re-elected in the United Kingdom general election, 2015. The party twisted a majority government after that election and passed the *European Union Referendum Act 2015* to enable the referendum. To pacify the far right-leaning members of the Conservative party and sections of the electorate, PM David Cameron has promised a referendum on the UK's enduring membership of the EU.

The referendum was held on 23rd June 2016, and simply asked voters to choose one of the following options: "Remain a member of the European Union", or "Leave the European Union". The vote resulted in 51.9% in favour of withdrawing, making it the first country to decide to leave the EU. The United Kingdom is now deciding when to activate the withdrawal clause in the EU treaties - Article 50 of the Lisbon Treaty, which gives a strict 2-year deadline from when withdrawal is notified to the EU until the actual withdrawal. The potential exit of the UK from the EU, colloquially referred to by the portmanteau word, "Brexit", has polarized business leaders around the world on the understanding behind an exit

or its impending gains.

United Kingdom European Membership Referendum, 2016 : At a glance		
Choice	Votes	%
Leave the EU	17,410,742	51.89
Remain a member of the EU	16,141,241	48.11
Valid Votes	33,551,983	99.92
Invalid Votes	25,359	0.08
Total Votes	33,577,342	100
Registered voters and turnout	46,501,241	72.2

Post Brexit Scenario:

The blow on Indian FDI to the UK could mainly be over two time periods: the short-medium term and the long term. The short-medium term covers the interim period before the referendum, and is expected to see FDI decrease momentarily, the deterrents being the potential financial unsteadiness and a legal system refurbish. Foreign investors may apprehend in investing till at least after the alteration. The common market, however, is not the only factor. The European political landscape with Greece's recent evasion and referendum on being part of the Euro-zone has grounded the EU in cloudy situations. (Euro-zone only refers to the monetary union i.e. those countries adopting the Euro, which the UK is not a part of. The EU refers to the economic and political union, which the UK is a part of). Without model on the matter, it will take at least a year to decide on Greece's continued membership to the Euro-zone. This is likely to make European markets erratic, an inclination obvious since the inception of the Greek catastrophe. The consequence of this has been sensitized even in Germany, the most financially pliant EU member, with business buoyancy declining for the second consecutive month, and business expectations plummeting for the third consecutive month after Brexit incident.

Few Noticeable Consequences for India after Brexit

- India sees the UK as a "catalyst" or "access" into Europe. Many Indian companies are listed on the London Stock Exchange and many have European headquarters in London. (According to Indian government numbers, there are 800 Indian companies in Britain). Brexit will take away this advantage.
- India has been discussing for a free-trade agreement with the EU since 2007 and a "yes" vote for Brexit now have a direct demeanor on this. Since the Britain leaves EU, as of now India needs to negotiate a separate treaty with the UK.
- Brexit can affect India's flagship IT sector given that the UK accounts for 17% or one-sixth of the sector's global exports that topped \$100 billion (approximately Rs.6.70 lakh crore). For one, Brexit will increase overhead costs, setting up new headquarters, perhaps in both Europe and Britain.
- There are some who see an gain for skilled migration from India to Britain. But given that one of the arguments in favour of Brexit is the large numbers of European migrants coming into Britain, this perception of advantage could be somewhat not there.
- Britain's decision to opt out of the European Union (Brexit) rattled Indian financial markets with an immediate effect, shaving at one stage some 1,000 points, or 4 %, off a key equities index, while pulling the rupee around ' . 68 to a US \$ mark.

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